ALASKA

2010-003671-0
Recording Dist: 309 - Homer
11/5/2010 11:24 AM Pages: 1 of 53

DOCUMENT TITLE: RIGHT-OF-WAY LEASE
ADL 230928

HOMER RECORDING DISTRICT

GRANTOR: State of Alaska

GRANTEE: Anchor Point Energy, LLC

AFTER RECORDING RETURN TO:

State Pipeline Coordinator's Office
411 West 4th Avenue
Suite 2-C
Anchorage, Alaska 99501

STATE BUSINESS – NO CHARGE

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

411 WEST FOURTH AVENUE, SUITE 2

ANCHORAGE, ALASKA 99501

(907) 257-1300

RIGHT-OF-WAY LEASE FOR THE NORTH FORK PIPELINE

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NORTH FORK PIPELINE

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RIGHT-OF-WAY LEASE FOR THE NORTH FORK PIPELINE

BY AND

BETWEEN

THE STATE OF ALASKA

AND

ANCHOR POINT ENERGY, LLC

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This Right-of-Way Lease for the North Fork Pipeline (herein "this Lease") is entered into this 28 day of SEPTEMBER 2010 (herein the "Effective Date"), by and between the State of Alaska (herein the "State"), acting through the Commissioner of the Alaska Department of Natural Resources (herein "Commissioner"), and the Anchor Point Energy, LLC, a Colorado limited liability company (herein the "Lessee") whose address is 1421 Blake Street, Denver, Colorado 80202. The State and the Lessee are sometimes collectively referred to herein as "the Parties."

1. Lease of Right-of-Way

(a) Pursuant to the provisions of AS 38.35, the Alaska Right-of-Way Leasing Act, as amended, and for and in consideration of the annual rental fee described in section 3 of this lease and subject to the covenants and the conditions contained herein, the stipulations attached hereto in Exhibit A and the State of Alaska, Department of Transportation and Public Facilities' Utility Permits, the State hereby grants by lease to Lessee, for the term described in section 2 of this lease and only for the purposes described in subsection (b) of this section, the right to enter on, occupy, use, and possess for the purposes described herein certain lands within the following described State Lands within the Homer Recording District, herein referred to as the "Right-of-Way":

Seward Meridian, Alaska:

Township 4 South, Range 14 West, Sections 26, 27, 31, 32, 33, 34, 35
Township 4 South, Range 15 West, Sections 34, 35, 36
Township 5 South, Range 14 West, Sections 6
Township 5 South, Range 15 West, Sections 1, 2, 3

The Right-of-Way is more specifically described in Exhibit B attached hereto. The width and total acreage of the Leasehold will vary over the term of this lease as described in Exhibit B.

(b) This lease is granted for the purposes of conducting Pipeline Activities in compliance with the terms and conditions of this lease. Lessee shall not use the Leasehold for any other purpose and shall not locate or construct any other pipelines, including looping lines, or other improvements in, on, or over the Leasehold without meeting all statutory and regulatory requirements and obtaining the prior written approval from the Commissioner. The Pipeline System must be used only for the transportation of Natural Gas, and it must not be used for any

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other purpose without meeting all statutory and regulatory requirements and obtaining the prior written approval of the Commissioner.

Except as provided otherwise herein, the Lessee shall not allow any other person or entity to use the Leasehold for conducting Pipeline Activities which are not part of Lessee's authorized operations pursuant to this lease. Nothing in this subsection is intended to excuse or preclude the Lessee from complying with its obligations under this lease; or preclude the Lessee from employing agents or Contractors to perform Pipeline Activities.

(c) All Pipeline Activities authorized by this lease must be limited to the area described in Exhibit B of this lease and other areas authorized by the State.

2. Duration of Right-of-Way Lease

(a) This lease shall expire on SEPTEMBER 27TH 2040, 12:00 noon, Alaska Standard Time [30 years from date of execution], unless before that date it is released, abandoned, or otherwise terminated pursuant to the provisions of this lease or any applicable law or regulation.

(b) Upon the expiration of the initial term or any subsequent term pursuant to subsection (c) herein, or earlier forfeiture, relinquishment, abandonment, or other termination, the provisions of this lease, to the extent applicable, will continue in effect and will be binding on the Parties, their successors or assigns, until they have fully performed their respective obligations and liabilities accruing under this lease before or on account of the expiration, forfeiture, relinquishment, abandonment or other termination of this lease. At any time following the expiration, forfeiture, relinquishment, abandonment, or other termination of this lease, upon a determination in writing that the State's best interests will be served, the Commissioner may release the Lessee from all or a portion of such continuing obligations and liabilities, with the exception of those contained in section 8(m) and section 11 herein.

(c) The Commissioner shall, upon request of the Lessee, renew this lease for additional periods of up to thirty years, so long as the Lessee is in commercial operation and the Lessee is in full compliance with all the terms of this lease and all state, federal, and local laws including but not limited to State law pertaining to regulation and taxation of the Pipeline System. The Lessee shall give notice to the Commissioner of its intent to seek renewal of this

lease a minimum of 2 years before the expiration date. The Lessee shall provide 180 days notice to the Commissioner prior to any relinquishment, abandonment or other termination of this lease.

3. Rental

(a) Construction Phase - The Lessee shall pay to the State equal annual rental payments in the amount of $4,031.00 during the period of Pipeline Construction. This rental amount, however, shall be adjusted based on a formal appraisal submitted to the State of Alaska Appraisal Unit on or before June 1, 2011. The first payment is due on or before the Effective Date of this lease. Subsequent payments are due on or before each Lease Anniversary Date during the period of Pipeline Construction.

(b) Operation and Maintenance Phase - Upon receipt of the Commissioner's approval of all of the requirements under section 29(e) of this lease, and for the duration of the term of this lease and any subsequent renewals, Lessee shall pay to the State equal annual rental payments in the amount of the annual fair market rental of the Leasehold based on the appraised fair market rental value of the Leasehold. All reasonable costs of the appraisal will be borne by the Lessee. The appraisal shall be carried out by an independent appraiser selected by the Lessee from a list of appraisers provided by the Division of Mining, Land and Water, Department of Natural Resources, and in accordance with Division of Mining, Land and Water appraisal instructions and standards. Payment of the rental under this subsection is due on or before the Lease Anniversary Date following receipt of the Commissioner's approval of all the requirements under section 29(e) of this lease. Subsequent annual rental payments are due on each subsequent Lease Anniversary Date.

(c) Termination Phase - The Lessee's rental obligations described in subsection (b) shall survive the expiration, forfeiture, relinquishment, abandonment, or other termination of this lease and shall continue until all of Lessee's obligations described in sections 26 or 27 of this lease, whichever is applicable, have been performed.

(d) The annual rental payment is subject to adjustment by the State five years from the first payment date as set out in (a) of this section and every fifth Lease Anniversary Date thereafter. The new rental payment shall be based on the appraised fair market rental value of the Leasehold. The appraisal shall be carried out by an independent appraiser selected by the Lessee from a list of appraisers provided by the Division of Mining, Land and Water,

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Department of Natural Resources, and in accordance with Division of Mining, Land and Water appraisal instructions and standards. The new annual rental payment takes effect on the applicable Lease Anniversary Date, regardless of whether the adjustment determination occurs before or after the applicable Lease Anniversary Date. All reasonable costs of the adjustment, including reappraisal, will be borne by the Lessee.

4. Payment

(a) All payments to the State under this lease must be made payable to the State in the manner directed by the State, and unless otherwise specified, shall be tendered to the State at:

Alaska Department of Natural Resources
Attention: Financial Services
550 West 7th Avenue, Suite 1410
Anchorage, Alaska 99501-3561

or to any other depository designated by the State. If the State changes the designated depository, it shall give at least 60 days written notice to the Lessee as described in section 34 herein.

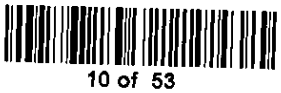
Invoices will be sent to the Lessee at (or to any new address that the Lessee designates in writing):

Anchor Point Energy, LLC
1421 Blake Street
Denver, Colorado 80202

(b) The Lessee shall pay the fee set forth in 11 AAC 05.010 for any late payment or returned check issued by the Lessee. Interest at the rate set by AS 45.45.010(a) shall be assessed on all past due amounts until payment is received by the State.

5. Denial of Warranty

(a) The State makes no representations or warranties, express or implied, as to title to, access to, or quiet enjoyment of the State Lands subject to this lease. The State is not liable to the Lessee for any deficiency of title to or difficulty in securing access to the State Lands subject to this lease. The Lessee or any successor in interest to the Lessee is not entitled to any refund of prior rentals paid under this lease due to deficiency of title.



(b) The State makes no warranty, express or implied, and assumes no liability whatsoever, regarding the social, economic, or environmental aspects of the State Lands included in the Leasehold granted herein, including, without limitation, the soil conditions, water drainage, access, natural or artificial hazards that may exist, or the profitability or fitness of the State Lands included in the Leasehold granted herein for any use. The Lessee represents that the Lessee has inspected the State Lands included in the Leasehold granted herein and determined that the State Lands are suitable for the use intended, or has voluntarily declined to do so, and accepts the State Lands included in the Leasehold granted herein "as is" and "where is."

6. Reservation of Certain Rights to the State

(a) The State reserves and will have a continuing and reasonable right of access to any part of the State Lands (including the subsurface of, and the air space above, such lands) that are subject to this lease, and a continuing right of physical entry to any part of the Leasehold for any purpose or reason that is reasonably consistent with any right or obligation of the State, including but not limited to, inspection or monitoring.

(b) The right of access and entry reserved in subsection (a) of this section will extend to and be enjoyed by any Contractor of the State as well as such other persons as may be designated by the Commissioner.

(c) Upon request by the State, the Lessee shall provide the State and its Contractors reasonable access to those portions of the Pipeline System situated on other lands in the State for reasonable purposes, including but not limited to, inspection and monitoring. Lessee does not represent that it has the right to provide unaccompanied access and physical entry to lands in the State other than the Leasehold for any purpose.

(d) There is reserved to the State the right to grant additional permits, leases or easements for rights-of-way or other uses to third parties for compatible uses on, or adjoining to, the State Lands subject to the Right-of-Way; provided that such grant shall not unreasonably interfere with the rights under this lease. Before the State grants additional rights-of-way under AS 38.35 for State Lands subject to the Right-of-Way, the State will notify Lessee of its intentions.

(e) This lease is subject to the reservations set forth in AS 38.05.125 and the rights and obligations contained in AS 38.05.130 as such statutes exist on the Effective Date of this lease.

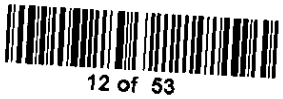
7. Access to Navigable and Public Waters - The State reserves a public access easement to and along all public or navigable water bodies or waterways that border on or are included in the State Lands included in the Leasehold. During construction and maintenance activities, safe access outside the construction area shall be provided and maintained. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. Lessee will not petition to vacate, abandon, or extinguish any public easement without the prior written approval of the Commissioner.

8. Covenants of Lessee - The Lessee expressly covenants, in consideration of the rights acquired by it pursuant to this lease, that:

(a) Lessee assumes the status of and will perform all of its functions undertaken under this lease as a common carrier and will accept, convey, and transport without discrimination Natural Gas delivered to it for transportation from fields in the vicinity of the Pipeline System throughout its route on State Land obtained under this lease and on other land; Lessee will accept, convey, and transport Natural Gas without unjust or unreasonable discrimination in favor of one producer or person, including itself, as against another, but will take the Natural Gas delivered or offered, without unreasonable discrimination, that the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines shall, after a full hearing with due notice to the interested Parties and a proper finding of facts, determine to be reasonable in the performance of its duties as a common carrier;

(b) Lessee will interchange Natural Gas with each like common carrier and provide connections and facilities for the interchange of Natural Gas at every locality reached by both pipelines when the necessity exists, subject to rates and regulations made by the appropriate state or federal regulatory agency;

c) Lessee will maintain and preserve books, accounts, and records and will make those reports that the State may prescribe by regulation or law as necessary and appropriate for the purposes of administering AS 38.35;



(d) Lessee will accord at all reasonable times and places to the State and its authorized agents and auditors the right of access to its property and records, of inspection of its property, and of examination and copying of records;

(e) Lessee will provide connections, as determined by the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines, under AS 42.06.340, to facilities on the Pipeline System subject to this lease, both on State Lands and other land in the State, for the purpose of delivering Natural Gas to persons (including the State and its political subdivisions) contracting for the purchase at wholesale of Natural Gas transported by the Pipeline System when required by the public interest;

(f) Lessee shall, notwithstanding any other provision, provide connections and interchange facilities at State expense at such places the State considers necessary, if the State determines to take a portion of its royalty or taxes in Natural Gas;

(g) Lessee will construct and operate the Pipeline System in accordance with applicable State laws and lawful regulations and orders of the Regulatory Commission of Alaska or its successor with jurisdiction over common carrier pipelines;

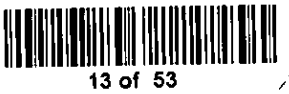
(h) Lessee will, at its own expense, during the term of this lease

(1) maintain the Leasehold and Pipeline System in good repair;

(2) promptly repair or remedy any damage to the Leasehold;

(3) promptly compensate for any damage to or destruction of property for which the Lessee is liable resulting from damage to or destruction of the Leasehold or Pipeline System;

(i) As more fully set out in section 25 of this lease, Lessee will not transfer, assign, or dispose of in any manner, directly or indirectly, or by transfer of control of the Lessee, its interest in this lease, or any rights under this lease or any Pipeline System subject to this lease to any person other than another owner of the Pipeline System (including subsidiaries, parents and affiliates of the owners), except to the extent that the Commissioner, after consideration of the protection of the public interest (including whether the proposed transferee is fit, willing and able to perform the transportation or other acts proposed in a manner that will reasonably protect the lives, property and general welfare of the people of Alaska), authorizes; the Commissioner shall not unreasonably withhold consent to the transfer, assignment, or disposal;



(j) Lessee will file with the Commissioner a written appointment of a named permanent resident of the State of Alaska to be its registered agent in Alaska and to receive service of notices, regulations, decisions and orders of the Commissioner; if it fails to appoint an agent for service, service may be made by posting a copy in the office of the Commissioner and filing a copy of it in the Office of the Lieutenant Governor and by mailing a copy to the Lessee's last known address;

(k) the applicable law of the State of Alaska will be used in resolving questions of interpretation of this lease;

(l) the granting of this lease is subject to the express condition that the exercise of the rights and privileges granted under this lease will not unduly interfere with the management, administration, or disposal by the State of the land affected by this lease, and that Lessee agrees and consents to the occupancy and use by the State, its grantees, permittees, or other lessees of any part of the Leasehold not actually occupied or required by the Pipeline System for the full and safe utilization of the Pipeline System, for necessary operations incident to land management, administration, or disposal;

(m) as more fully set out in section 11 of this lease, Lessee will be liable to the State for damages or injury incurred by the State caused by Pipeline Activities and Lessee will indemnify the State for liabilities or damages;

(n) Lessee will procure and furnish liability and property damage insurance from a company licensed to do business in the State or furnish other security or undertaking upon the terms and conditions the Commissioner considers necessary if the Commissioner finds that the net assets of the Lessee are insufficient to protect the public from damage for which the Lessee may be liable arising out of Pipeline Activities.

9. Lessee's Contractors, Agents and Employees

(a) Lessee shall require that all of its Contractors conducting Pipeline Activities on the Leasehold:

(1) extend all indemnities to include the State as an additional named indemnitee;

(2) name the State of Alaska as additional insured on all liability insurance policies maintained under their contracts with Lessee; and

(3) obtain an appropriate waiver of subrogation in favor of the State with respect to all other insurance policies.

(b) Unless clearly inapplicable, the requirements and prohibitions imposed upon the Lessee by this lease are also imposed upon the company's agents, employees, Contractors, and employees of each of them. The Lessee shall ensure compliance with this lease by its agents, employees and Contractors, and the employees of each of them.

10. Workers' Compensation Insurance - Lessee shall provide and maintain, for all employees of the Lessee engaged in work on the Leasehold, workers' compensation insurance as required by state and federal law. Lessee shall ensure that all of its Contractors have obtained workers' compensation insurance as required by state and federal law. All workers' compensation insurance policies required herein shall waive rights of subrogation against the State of Alaska, its agents, and employees.

11. Indemnity - The Lessee assumes all responsibility, risk, and liability for its Pipeline Activities and use of or contact with the Leasehold. The Lessee shall defend, indemnify, and hold harmless the State, its agents and employees, from and against any and all demands, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery or otherwise), fines, judgments, suits, claims, actions, proceedings, losses, costs (including reasonable attorneys' fees and costs), expenses, charges, forfeitures, liens, liabilities, settlements, penalties, and damages of any kind or nature whatsoever, including, but not limited to those alleging personal injury, wrongful death, nuisance property damage, environmental contamination (including any disposal, release, spill or discharge or any threatened disposal, release, spill, or discharge of or contamination by hazardous materials), and environmental noncompliance (including the Lessee's failure to provide all information, make all submissions, and take all steps required by the authority under the environmental laws or any other law concerning any spill, discharge, or contamination), arising out of, in connection with, directly or indirectly from, or otherwise incident to, Lessee's Pipeline Activities or use of or contact with the Leasehold, except to the extent the sole legal

cause of the injury or damage is the negligence or willful misconduct of the State or anyone acting on the State's behalf.

The Lessee shall immediately accept the tender by the State of any such cause of action, lawsuit, or other proceeding brought against the State. Any reasonable attorneys' fees or costs incurred by the State prior to such tender of defense shall be the complete and sole responsibility, without limitations, of Lessee. If the State tenders such cause of action, lawsuit, or other proceeding later than 20 days after service on the State, and the Lessee informs the State that the delay in tendering will require Lessee to incur additional costs in order to respond in a competent and timely manner, and the State is unable to obtain an extension of time sufficient to provide Lessee with at least one-half of the number of days which the State originally had to respond, then the State shall reimburse Lessee for documented, reasonable costs incurred by the Lessee that are directly related to the delay in tendering.

The obligations of the Lessee to indemnify the State under the terms of this lease shall survive the transfer, assignment, or other disposition of an interest in this lease as well as the expiration, forfeiture, relinquishment, abandonment or other termination of this lease.

12. Guaranty and State as Additional Insured

(a) This lease is contingent upon Anchor Point Energy, LLC's Members, unconditionally guaranteeing and remaining capable of guaranteeing the performance of all of the Lessee's duties and obligations under and by virtue of this lease. If the Commissioner determines at any time that the unconditional guaranties are insufficient to guarantee the performance of all the Lessee's duties and obligations under and by virtue of this lease, the Commissioner may require insurance in addition to the guaranty from the same or another guarantor with any provisions the Commissioner reasonably finds necessary.

(b) If the Lessee elects not to provide financial information in support of their guaranty(s), that meets the satisfaction of the Commissioner, the Lessee may also obtain commercially available insurance coverage for the Leasehold and the Lessee's activities in, on or related to the Leasehold. The Lessee shall name the State as an additional insured on all such insurance policies obtained and maintained by the Lessee, except that such insurance coverage shall not cover or apply where the sole proximate cause of the injury or damage is the willful misconduct by the State or anyone acting on behalf of the State. Any commercially available insurance purchased by Lessee under this section will not be construed to limit in any way the

Lessee's liabilities or responsibilities under this lease. Insurance purchased in lieu of providing other financial information must be at a level that the Commissioner finds reasonably necessary and supported by a risk analysis. The Commissioner may request an annual update detailing existing coverage.

13. Timely Construction and Operation - Lessee shall begin construction of the Pipeline System within two (2) years of the Effective Date of this lease and shall begin operation of the Pipeline System as a common carrier within five (5) years of the Effective Date of this lease. Failure to begin construction and operation of the Pipeline System within these time periods for reasons within the control of the Lessee shall be grounds for forfeiture of the Right-of-Way interest of the Lessee.

14. Plans and Permitting

(a) The Lessee shall have a Quality Assurance Program approved by the Commissioner before commencing construction.

(b) Before any Pipeline Activities may commence, except those otherwise authorized by the Commissioner, the Lessee shall submit a construction plan as required by the stipulations attached hereto as Exhibit A for review by the Commissioner. The construction plan must be approved by the Commissioner prior to the commencement of any Pipeline Activities.

(c) Before Natural Gas may be transported through the Pipeline, the Lessee shall submit a surveillance and monitoring program as required by the stipulations attached hereto as Exhibit A for review by the Commissioner. The surveillance and monitoring program must be approved by the Commissioner prior to Natural Gas being transported through the Pipeline.

(d) Before any particular activity requiring any federal, state, or municipal permits or authorizations occurs under this lease, all required federal, state, and municipal permits and other authorizations for that particular activity must be issued to the Lessee. The Lessee shall maintain any such required permits in good standing for so long as such permits are required for activities carried on pursuant to rights granted under this lease during the term of this lease.

15. Conduct of Operations

(a) The Lessee assumes all responsibility, risk, and liability for its Pipeline Activities and use of or contact with the Leasehold. The Lessee shall perform all Pipeline Activities under this lease in a lawful, prudent, and skillful manner in compliance with the terms and conditions of this lease and all required permits.

(b) The Lessee shall carry out at the Lessee's expense all lawful orders and requirements of the State relative to the Lessee's occupation and use of the Leasehold within a reasonable time period. If the Lessee fails to carry out these orders and requirements, the State has the right to enter the Leasehold and at the Lessee's expense perform any or all of the following:

(1) repair damage;

(2) prevent imminent harm to workers;

(3) protect public health or safety; and

(4) prevent immediate, serious or irreparable harm or damage to the environment.

This right is not exclusive of any other right the State has under this lease and the State may take such other actions and pursue such other remedies as may be available to it under this lease and under applicable law.

The Commissioner shall submit to the Lessee a statement of the expenses reasonably incurred by the State of any required action taken pursuant to this section. The Lessee shall pay the amount shown within 30 days of receipt of the statement with interest accruing from the date of the statement. Such interest shall accrue at the legal rate of interest set forth in AS 45.45.010(a).

(c) The Lessee shall prevent or, if the procedure, activity, event or condition already exists or has occurred, shall abate, as completely as practicable, using the Best Practicable Technology Available, any physical or mechanical procedure, activity, event or condition:

(1) that is susceptible to prevention or abatement;

(2) that arises out of, or could adversely affect, Pipeline Activities; and

(3) that causes or threatens to cause

(A) a hazard to the safety of workers or to the public health or safety (including but not limited to personal injury or loss of life with respect to any person or persons); or

(B) immediate, serious, or irreparable harm or damage to the environment (including but not limited to soil, sediments, water and air quality, areas of vegetation, fish or other wildlife populations or their habitats, or any other natural resource).

(d) The Lessee shall provide reasonable protection to public or private improvements on State Land, which may be adversely affected by Pipeline Activities. If the Commissioner determines that the Lessee has caused damage to such public or private improvements, and if the owner of such improvements so requires, then the Lessee shall promptly repair or reimburse the owner for reasonable costs in repairing such improvements to a condition which is satisfactory to the owner, but which does not exceed the improvements' condition prior to damage. This section does not limit in any way the legal or equitable remedies that may be available to a public or private owner of improvements on State Land.

16. Environmental Compliance

(a) Nothing in this lease authorizes the discharge or disposal of any petroleum products, gasoline, hazardous chemicals, or Hazardous Materials into the atmosphere, ground, or any body of water within the Leasehold.

(b) No provision in this lease in any way alters the State's powers and rights or the Lessee's duties and liabilities under Title 46 (or its successor) of the Alaska Statutes or other state, federal, or municipal statutes, regulations, or ordinances.

17. Taxes and Liens on Leasehold

(a) During the term of this lease, Lessee shall pay any and all real property taxes, assessments, and similar charges levied by the State, any municipality, or any other governmental entity upon the interest in the Leasehold granted to Lessee by this lease, subject to any rights Lessee may have to appeal or protest such taxes, assessments or charges. In no event shall Lessee permit or allow its interest in the Leasehold granted by this lease to be lost or the State's title to the Leasehold to be clouded or encumbered as a result of the nonpayment of any such taxes, assessments, or charges.

(b) During the term of this lease, Lessee shall pay for all labor and services performed upon or materials furnished to the Leasehold by, for, or at the request of Lessee. Lessee shall keep its interest in the Leasehold granted by this lease and the State's title to and interest in the Leasehold free and clear of any and all liens, including but not limited to, mechanic's, mining, labor, or materialmen's liens, arising out of or resulting from the performance of labor or services upon or the furnishing of materials to the Leasehold by, for, or at the request of Lessee, except those liens arising by operation of law for which payment is not yet due. Lessee shall have the right to contest, in the courts or otherwise, the validity or amount of any such lien that may be filed. The Lessee shall post and record notices of nonresponsibility for the benefit of the State pursuant to AS 34.35.065 and AS 34.35.150 and any other similar applicable laws.

(c) During the term of this lease, Lessee shall not allow the State's title to or interest in the Leasehold to be encumbered by any judgments entered by a court of law against Lessee or Lessee's Contractors. If a lis pendens is filed arising from pending or actual litigation against Lessee or its Contractors that encumbers or purports to encumber the State's title to or interest in the Leasehold, Lessee shall diligently and with best efforts seek to effect immediate removal of that lis pendens.

18. Orders by the Commissioner - The Commissioner may issue any order necessary to enforce or implement any provision of this lease.

19. Formal Enforcement

(a) The State, in a proper action instituted by it, may seek a decree against the Lessee for specific performance or other equitable relief, as may be appropriate. This section shall not be construed to limit any remedy, legal, equitable, or otherwise, available to the State under this lease, the laws of the State of Alaska or the laws of the United States.

(b) In the event that the State prevails, all costs and attorneys' fees reasonably incurred by the State for the enforcement of this lease shall be added to the obligations due and payable by the Lessee and submitted with the statement of expenditures under section 24.

20. Information - The Commissioner may order the Lessee at any time to furnish any and all information related to Pipeline Activities. If the Lessee desires that records submitted to

the State be kept confidential, the Lessee shall submit a request for confidentiality in writing to the Commissioner along with the statutory basis for its claim of confidentiality. The Commissioner shall retain records as confidential to the extent consistent with the Commissioner's authority to do so under applicable State statutes.

21. Modification - The Commissioner may, by written order, require the Lessee to make such modification of the Pipeline System as the Commissioner determines is necessary to:

(a) protect or maintain stability of the foundation and other earth materials;

(b) protect or maintain integrity of the Pipeline System;

(c) control or prevent unnecessary damage to the environment (including but not limited to soil, sediments, water and air quality, areas of vegetation, fish or other wildlife populations or their habitats, or any other natural resource); or

(d) remove hazards to public health and safety, including the activities of Lessee's agents, employees, Contractors, and the employees of each of them.

Before delivery of any such order, the Commissioner shall confer with Lessee, if practicable to do so in the sole discretion of the Commissioner, regarding the required action or actions included in the order. Any such order shall state in detail what is demanded of Lessee and the reasons and basis for such demand.

22. Temporary Suspension

(a) The Commissioner may at any time order the temporary suspension of any or all Pipeline Activities, if

(1) an immediate temporary suspension of the activity or the activities is necessary to protect:

(A) public health or safety (including but not limited to personal injury or loss of life with respect to any person or persons); or

(B) the environment from immediate, serious or irreparable harm or damage (including, but not limited to harm or damage to soil, sediments, water and air quality, areas of vegetation, fish or other wildlife population or their habitats, or any other natural resource); or

(2) the Lessee, its agents, employees, or Contractors are failing or refusing, or have failed or refused, to comply with or observe:

(A) any provision of this lease intended to protect public health, safety or the environment; or

(B) any order of the Commissioner requiring implementation of any provision of this lease or any agreement, plan, permit, or authorization approved, issued or granted by the Commissioner in connection with all or any part of the Pipeline System.

(b) A temporary suspension order will specify:

(1) the activity or activities which must be stopped and the site of such activities;

(2) the reason for the issuance of the order, including a description of the immediate, serious or irreparable harm sought to be avoided that requires suspension of an activity or activities;

(3) the name of the person issuing the order;

(4) the name of the Lessee's representative to whom the order is issued; and

(5) the time and date of the order.

(c) When a temporary suspension order is issued by any delegate of the Commissioner other than the State Pipeline Coordinator, a copy of the written delegation of authority from the Commissioner must accompany the order. A copy of the temporary suspension order must be provided to the Lessee in a manner specified by section 34(b) herein.

(d) A temporary suspension order is effective as of the date and time given, unless it specifies otherwise. A written temporary suspension order will remain in full force and effect until modified or revoked in writing by the Commissioner.

(e) If the Commissioner finds that an emergency exists, a temporary suspension order may be given orally to Lessee or a Field Representative. If an oral temporary suspension order is given, a written order consistent with the requirements of subsection (b) shall be issued no later than 72 hours after the oral order is given. An oral temporary suspension order that is not confirmed with a written order within the specified time is vacated.

(f) To the extent practicable, the Commissioner will give the Lessee prior notice of any temporary suspension order. If circumstances permit, the Commissioner will discuss with the Lessee before issuing the order measures that would:

(1) immediately abate or avoid the harm or threatened harm that is the reason for the issuance of the order; or

(2) effect compliance with the provision or order, whichever is applicable.

(g) After a temporary suspension order has been given by the Commissioner, the Lessee shall promptly comply with all of the provisions of the order and shall not resume any activity suspended or curtailed thereby except as provided in this lease, a subsequent order of the Commissioner, or a court order.

(h) When the Commissioner is satisfied that (1) the harm or threatened harm has been abated or remedied, or (2) the Lessee has effected, or is ready, willing and able to effect, compliance with the provisions of the temporary suspension order, whichever is applicable, the Commissioner will promptly authorize in writing the resumption of the suspended activity or activities. The Commissioner shall render a decision within three days of the date that the request from the Lessee to resume suspended activities is received by the Commissioner. The decision will state whether the request is granted or denied, and the basis for the decision.

(i) (1) Without limiting any other rights available under 11 AAC 02 or any other law, the Lessee may bring appeals from temporary suspension orders of the Commissioner's delegates, requests for reconsideration from temporary suspension orders of the Commissioner, and requests for reconsideration of denials of requests to resume suspended activities under the provisions of this section. The Lessee may:

(A) appeal directly to the Commissioner for review of any temporary suspension order issued by a Commissioner's delegate under this section; or

(B) request reconsideration from the Commissibner of

(1) any temporary suspension order issued by the Commissioner; or

(2) any denial by the Commissioner of a request for resumption of activities suspended under such temporary suspension order.

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(2) The Lessee shall file a notice of appeal or a request for reconsideration brought pursuant to this subsection within 10 days after the effective date of the order or denial being appealed. The notice must set forth with particularity the order or denial being appealed and must contain a statement of facts and points of law the Lessee wishes to present to justify modification or reversal of the order or denial. All statements of fact must be under oath.

(3) The Commissioner shall decide an appeal or a request for reconsideration within 10 days from the date the Commissioner received the notice of appeal or request for reconsideration from the Lessee. If the Commissioner does not render a decision within that time, the appeal or request for reconsideration will be considered to have been denied by the Commissioner, and that denial will constitute a final agency decision appealable in accordance with the rules of the court, and to the extent permitted by applicable law.

23. Commissioner's Decisions

(a) Except as set forth in subsection (b), any decision of the Commissioner as to any matter arising out of this lease will constitute the final agency decision appealable in accordance with the rules of the court, and to the extent permitted by applicable law. The Commissioner will act in writing upon each required submission for approval of an action by the Lessee. The absence of any comment by the Commissioner on any plan, design, specification, or other document which may be filed by the Lessee with the Commissioner will not represent assent to, approval of or concurrence in such plan, design, specification or other document, or any action proposed therein. Except as otherwise provided in section 22(e), any written approval, instruction or order remains in effect unless and until written notice of the withdrawal or modification of the approval, instruction or order is provided to Lessee. Any disapproval by the Commissioner will state what additional action is necessary to gain approval.

(b) Decisions of a Commissioner's delegate shall not constitute final agency decisions and are subject to the procedures for appeal and reconsideration as set forth in 11 AAC 02, except as otherwise provided in section 22(i).

24. Reimbursement of State Expenses

(a) Lessee shall reimburse the State for all reasonable costs incurred by the State in the oversight of Pipeline Activities and the design review of all or any part of the

Pipeline System. The Commissioner will administer this lease to reasonably assure that unnecessary employment of personnel and needless expenditure of funds are avoided.

(b) Reimbursement provided for in this section must be made for each quarter ending on the last day of March, June, September, and December. On or before the 90th day after the close of each quarter, the Commissioner will submit to the Lessee a written statement describing any reimbursable costs incurred by the State during that quarter. This statement may be supplemented within 180 days after the end of a fiscal year for costs incurred in the State's fiscal year which were not previously submitted. The State shall submit invoices to (or to any new address that the Lessee designates in writing):

Anchor Point Energy, LLC
1421 Blake Street
Denver, Colorado 80202

(c) Lessee shall pay to the State the total amount shown on each statement submitted under subsection (b), less any item that Lessee disputes, within 30 days of receipt. If the Lessee disputes any item of a statement for reimbursement, the Lessee shall, on or before the date on which the statement is due and payable, deliver to the Commissioner written notice of each item that is disputed, accompanied by a detailed explanation of its objection, and the Lessee shall pay the State those amounts for the items that are not disputed. The Commissioner shall provide a written decision regarding Lessee's objections within 30 days of receipt of Lessee's objections. Lessee shall then immediately pay any unpaid items determined by the Commissioner to be payable.

(d) The Lessee may conduct, at its own expense, and by auditors or accountants designated by the Lessee, reasonable audits of the books, records and documents of the State relating to a statement submitted under subsection (b) of this section, at the places where such books, records and documents are usually maintained and at reasonable times. Written notice of intent to conduct an audit must be given to the Commissioner (1) at least 15 days prior to the audit and (2) not later than the 60th day after the date that the State submits the statement under subsection (b) of this section. An audit under this subsection must be completed within 180 days after receipt by the State of the notice of intent to conduct an audit. Lessee may present the results of an audit to the Commissioner in a written notice requesting a timely review by the Commissioner of errors, omissions, or discrepancies noted in the audit, including

unnecessary employment of personnel or needless expenditures of funds. The Commissioner shall meet with the Lessee within 30 days of receipt of the notice of results of the audit to discuss and attempt to resolve all items listed in the notice of results. The Commissioner shall promptly provide a written decision to the Lessee setting forth the results of the meeting between the Lessee and the Commissioner. Any items previously reimbursed to the State but found during the audit and concurred in by the Commissioner in the written decision setting forth the results of the meeting to have been in error, improper, unnecessary, or needless shall be reimbursed within 30 days after the date of the Commissioner's written decision.

(e) Nothing herein requires the State to maintain books, records or documents other than those usually maintained by it, provided such books, records and documents reasonably segregate and identify the costs for which reimbursement is required by this section. Such books, records and documents must be preserved for a period of at least two years after the State submits a statement for reimbursement based on such books, records and documents. The Lessee and auditors or accountants designated by the Lessee will be given reasonable access to, and the right to copy, at Lessee's expense, all such books, records and documents.

25. Transfers of Interest

(a) The State may convey all or a portion of its ownership of the State Lands subject to this lease at any time to any entity allowed by law. Any conveyance, transfer or other disposition, subsequent to the execution of this lease, of any right, title, or interest in any of the State Lands subject to this lease shall be subject to this lease, including the Lessee's right to renew the lease under section 2(c) herein.

(b) An unapproved transfer, assignment, or other disposal does not relieve Lessee of any obligation assumed under this lease, is ineffective to transfer interests in and obligations assumed under this lease, and constitutes a default under this lease. The guaranties of Anchor Point Energy, LLC and its Members shall extend to guarantee the duties, liabilities and obligations of any transferee, or assignee under and by virtue of this lease, unless the Commissioner determines that another guaranty or security sufficient to protect the public interest has been provided. In the event that approval is requested for a transfer, assignment or other disposal to a proposed assignee, transferee, or other receiving party which would not receive its interest in the transaction directly from the Anchor Point Energy, LLC, the

Commissioner shall not consider the existence of Anchor Point Energy, LLC guaranties in making the determination whether the proposed assignee, transferee, or other party receiving is fit, willing and able. If the Commissioner determines that a guaranty or other security is required for the proposed assignee, transferee, or other receiving party, the Lessee or the proposed assignee, transferee, or other receiving party may secure a replacement guaranty or other security satisfactory to the Commissioner. Upon the determination by the Commissioner that a replacement guaranty or other security is sufficient to protect the public interest, the guarantor providing the replacement guaranty or other security shall be the primary guarantor for this lease. The Commissioner may make demand upon a prior guarantor only if the primary guarantor has defaulted on its obligations under its guaranty and if the prior guarantor has not yet been released from its guaranty. Nothing in this section requires the Commissioner to release any existing guarantor from its guaranty.

(c) A transferee or assignee of any approved transfer, assignment, or other disposal under subsection (b) is subject to the same rights, duties, liabilities and obligations set forth herein as is Lessee.

(d) Lessee may not transfer, assign, or otherwise dispose of any interest in, to, or under this lease that purports to cover less than all of the State Lands subject to this lease.

(e) (1) Subject to the exception set forth in section 25(e)(2), all transfers of an ownership interest in the Lessee or in a transferee or assignee to a third party or Parties, including transfers to other owners of the Pipeline System (including subsidiaries, parents and affiliates of the owners) which do not require approval under section 8(i) herein, must be reported to the Commissioner. For those transfers to Parties other than other owners of the Pipeline System (including subsidiaries, parents and affiliates of the owners), the Commissioner reserves the right to determine whether such transfers of ownership interest constitute a "transfer of control" for purposes of section 8(i) of this lease. The Commissioner's determination must be in writing and based on substantial evidence.

(2) If the Lessee, transferee or assignee is a publicly held corporation, meaning a corporation whose stock is and will normally remain available for trade on a national stock exchange, only transfers of ownership interest of 30 percent or more need to be reported under section 25(e)(1) of this lease.

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(f) Upon application for approval of a transfer, assignment, or disposal of interests under this lease which results in there being more than one party with an interest in the Leasehold or in the Pipeline System, the Commissioner will, in the Commissioner's discretion, establish the limit of the obligations and liabilities of each party arising under this lease. If the Commissioner does not establish the limit of the obligations and liabilities of each party, the obligations and liabilities will be joint and several.

(g) In the event of a transfer, assignment, or other disposal of less than the entire undivided interest granted in, to or under this lease to the Lessee, the Lessee and its transferee or transferees must appoint one party to comply with section 8(j) of this lease.

26. Default and Forfeiture

(a) Failure of the Lessee to substantially comply with the terms of this lease shall be grounds for forfeiture of the Right-of-Way interest of the Lessee in an action brought by the Commissioner in the Superior Court. Before the commencement of any action for forfeiture of an interest in the Right-of-Way under this section, the Commissioner shall give the Lessee notice in writing of the alleged default and shall not commence the proceeding unless the Lessee has failed to initiate good faith efforts to cure the default within 60 days of the notice of the alleged default or fails to diligently continue the same until cured.

(b) No items on the Leasehold, including but not limited to, improvements, structures, machinery, equipment, tools, or materials, may be removed from it by the Lessee while the Lessee is in default except with the Commissioner's prior approval.

(c) Upon forfeiture of the interest of the Lessee in this lease by a court of competent jurisdiction:

(1) The State shall have an immediate right to possession of the Leasehold and to all items found thereon, including but not limited to, improvements, structures, machinery, equipment, tools, and materials, and except as otherwise approved or permitted by the Commissioner for the purposes of allowing the Lessee to abandon in place or remove the Pipeline System and to comply with an approved plan to Restore, and Revegetate the Leasehold, any possession by the Lessee shall be unlawful. Subject to the State's best interests, the Commissioner shall order in writing the disposition of all such improvements, structures, machinery, equipment, tools, materials, and any other item on the Leasehold. The

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Commissioner's options with respect to any disposition under this subsection include, but are not limited to: sale, transfer, lease, auction, destruction, repair and abandonment in place, retention in State ownership for a public or state use, and removal. The Commissioner may order the Lessee to perform disposition work required under this subsection. The Lessee is responsible for all disposition costs incurred by the State under this subsection.

(2) The Lessee shall be obligated to Restore and Revegetate the Leasehold to the condition ordered by the Commissioner.

(d) The Commissioner shall have up to one year following entry of judgment of forfeiture by a court of competent jurisdiction to issue his disposition order or orders under subsection (c).

(e) In the event of a forfeiture of this lease under subsection (c), the Lessee shall be liable for any obligations due and payable and for all costs, expenses, and fees incurred by the State arising out of the State's efforts to grant a new Right-of-Way lease for this Leasehold.

(f) After forfeiture, any new Right-of-Way lease for the Leasehold will have no effect on the Lessee's continuing rights and obligations under this lease.

27. Lessee's Obligations Upon Termination Not Resulting From Forfeiture

(a) This section shall apply to all terminations of this lease, whether from expiration, relinquishment, abandonment or otherwise, with the exception of a forfeiture under section 26.

(b) Prior to the expiration, relinquishment, abandonment or termination of this lease, the Commissioner shall determine in writing whether a public interest exists which requires that all or a portion of the Pipeline System be left in place following the expiration, relinquishment, abandonment or termination of this lease. The Commissioner's written determination shall (1) describe which components of the Pipeline System, if any, must remain on the Leasehold following the expiration, relinquishment, abandonment or termination of this lease, and (2) resolve issues pertaining to title to such components of the Pipeline System.

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(c) No later than 60 days after receipt of the Commissioner's determination under subsection (b), the Lessee shall submit the following to the Commissioner for the Commissioner's approval:

(1) A plan for the removal of all items found on the Leasehold, including but not limited to, improvements, structures, machinery, equipment, tools and materials, but excluding those components of the Pipeline System described in the Commissioner's determination under subsection (b); and

(2) A plan to Restore and Revegetate the Leasehold.

(d) If the Commissioner determines under subsection (b) that a public interest does not exist which requires that all or a portion of the Pipeline System be left in place, then no later than 60 days following receipt of the Commissioner's determination, the Lessee shall submit the following to the Commissioner for the Commissioner's approval:

(1) A plan for the removal of all items found on the Leasehold, including but not limited to, improvements, structures, machinery, equipment, tools and materials; and

(2) A plan to Restore and Revegetate the Leasehold. Should Lessee fail to comply with the requirements of this subsection, then section 26c(1) and (2) shall govern the expiration, relinquishment, abandonment or termination of this lease.

(e) The Commissioner shall set a reasonable time, which may be extended, during which the Lessee shall implement the plans in subsection (c) and (d). The Lessee shall be responsible for all costs of implementation of the plans required by this section.

(f) Following completion of the time period for plan implementation under subsection (e) and any extensions, the Commissioner shall order the disposition of all improvements, structures, machinery, equipment, tools, and materials, if any, that the Lessee failed to remove. The Commissioner's options with respect to any disposition under this subsection include, but are not limited to: sale, transfer, lease, auction, destruction, repair and abandonment in place, retention in state ownership for a public or state use, and removal. The Commissioner may order the Lessee to perform disposition work required under this subsection. The Lessee is responsible for all disposition costs incurred by the State under this subsection.

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(g) If the Lessee fails to submit or fully implement the plans required by this section, the State's options include any of the following:

(1) The Commissioner may order the Lessee to submit and fully implement the plans required by this subsection.

(2) The State may develop the plans required under this section and order the Lessee to fully implement them. The Lessee shall be responsible for all costs incurred by the State in developing such plans.

(3) The State may complete the required work under such plans. The Lessee shall be responsible for all costs incurred by the State for such work.

(h) In the event the Commissioner makes a determination under subsection (b) that all or a portion of the Pipeline System shall remain on the Leasehold following the expiration, relinquishment, abandonment or termination of this lease, then Lessee shall be released from all future obligation or liability for the portion of the Pipeline System the Commissioner determined shall remain on the Leasehold, including but not limited to, abandonment or removal liability, and from any obligation to Restore and Revegetate the Leasehold after completion of the plan approved under subsection (c) herein, with the exception of obligations under sections 8(m) and 11 herein, which cannot be released. Upon release, the State or its assignee shall immediately assume all responsibility and obligation for the Pipeline System or any part thereof remaining on the State Lands formerly subject to this lease. Such release will not discharge Lessee from performance obligations and other liabilities which have accrued prior to the expiration, relinquishment, abandonment or termination of this lease.

28. State Not Liable - The State is not liable for any expenditure made or undertaken by the Lessee under this lease.

29. Release of Interests

(a) In connection with the relinquishment, abandonment or other termination before the expiration of this lease, of any right or interest in the Leasehold, or in the use of all or any part of the State Lands subject to this lease, the Lessee shall promptly execute and deliver to the State a valid instrument of release in recordable form, which must be executed and acknowledged with the same formalities as a deed. The instrument of release must contain, among other things, appropriate recitals, a description of the pertinent rights and interests, and

for the benefit of the State and its grantees or assigns, express representations and warranties by the Lessee that it is the sole owner and holder of the rights or interests described therein and that such right or interest is free of all liens, equities or claims of any kind requiring or that may require the consent of a third party, claiming in whole or in part by, through or under the Lessee, for the valid release or extinguishment thereof, except for such that are owned or claimed by third parties that have joined in the execution of the release. The form and substantive content of each instrument of release must be approved by the Commissioner, but except as otherwise provided for in this subsection, in no event will any such instrument operate to increase the existing liabilities and obligations of the Lessee furnishing the release.

(b) A release under this section must be accompanied by such resolutions and certifications as the Commissioner may require, including the power or the authority of the Lessee, or of any officer or agent acting on its behalf, to execute, acknowledge or deliver the release.

(c) Notwithstanding any language or provision in the release that operates or could operate to the contrary, neither the tender, nor approval and acceptance, of any such release will operate as an estoppel or waiver of any claim or judgment against the Lessee or as a relief or discharge, in whole or in part, of the Lessee from any of its then existing liabilities or obligations whether accrued or contingent.

(d) Lessee may relinquish to the State at any time any or all of the State Lands subject to this lease that the Lessee determines are no longer necessary for the Lessee's Pipeline Activities by filing a release as provided for above. The release shall be effective as of the date the release is approved by the Commissioner, subject to the continued obligations of the Lessee to fulfill all obligations and resolve all liabilities arising under this lease.

(e) No later than one year following the date Natural Gas is first transported through the Pipeline, Lessee shall:

(1) File with the Commissioner a map or maps of survey (contact Department of Natural Resources Survey Section for instructions on submittal of As-Built surveys), for approval by the Commissioner, showing the final As Built location of the Pipeline as proof of construction of the Pipeline; and

(2) Execute and deliver to the State for the Commissioner's approval a release of interests for all of Lessee's interests in the Leasehold other than the Operation and Maintenance Right-of-Way, which Right-of-Way is described in Exhibit B.

Effective on the first Lease Anniversary Date following the approval by the Commissioner of the requirements in this subsection, all interests of Lessee in the Leasehold other than the Lessee's interests in the Operation and Maintenance Right-of-Way, described in Exhibit B, shall be released, subject to the right of the Commissioner to approve, at the request of the Lessee, an increase in the width and total acreage of the Leasehold as is necessary to carry out Termination Activities in compliance with a plan approved by the Commissioner, which approval shall not be unreasonably withheld.

30. Authorized Representatives - The State Pipeline Coordinator and the person executing this lease on behalf of the Lessee shall be the authorized representatives for their respective principals for the purposes of administering this lease. This authorized representative is in addition to the registered agent required to be appointed pursuant to section 8(j) herein. The State or the Lessee may change the designation of its authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with section 34 below. Additionally, a Field Representative must at all times be available in the immediate area of the Leasehold and must be designated by the Lessee by notice to the State. Notwithstanding the designation of Field Representatives, if any, notices or orders delivered to Lessee's authorized representative shall control.

31. No Third Party Beneficiaries - The Parties to this lease do not intend to create any rights under this lease that may be enforced by third parties for their own benefit or for the benefit of others.

32. Local Hire - The Lessee is encouraged to hire and employ local and Alaska residents and companies, to the extent they are available and qualified, for work performed pursuant to this lease. The Lessee is encouraged to coordinate with employment services offered by the state and local communities and to recruit employees from local communities.

33. Nondiscrimination - The Lessee and the Lessee's Contractors may not discriminate against any employee or applicant because of race, religion, marital status, change

in marital status, pregnancy, parenthood, physical handicap, color, sex, age, or national origin as set out in AS 18.80.220. The Lessee and its Contractors, on beginning any Pipeline Activities, must post in a conspicuous place notices setting out this nondiscrimination provision.

34. Correspondence

(a) Any notice or demand by the Lessee will be made in writing and must be given personally by hand delivery to the State, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the State designates in writing):

State Pipeline Coordinator's Office
411 W. 4th Avenue, Suite 2
Anchorage, Alaska 99501-2343

Delivery to the State occurs (1) if by hand delivery, when personally received by the addressee and (2) if by certified mail, when the notice or demand is signed for by the State or State's agent.

(b) Except as provided for in section 22 of this lease, any notice or demand by the State will be made in writing and must be given personally by hand delivery to the Lessee, or by certified mail, postage prepaid, return receipt requested, addressed as follows (or to any new address that the Lessee designates in writing):

Anchor Point Energy, LLC
1421 Blake Street
Denver, Colorado 80202

Delivery to the Lessee occurs (1) if by hand delivery, when personally received by the addressee, and (2) if by certified mail, when the notice or demand is signed for by the Lessee or Lessee's agent.

(c) Other correspondence may be made by delivery, hand delivery, or electronic means with original to follow in the mail.

35. Waiver Not Continuing - The waiver by the State of any breach of any provision of this lease, whether express or implied, will not be construed to be a continuing waiver or a waiver of or consent to any subsequent or prior breach by the Lessee. The waiver by the Lessee

of any breach of any provision of this lease, whether express or implied, will not be construed to be a continuing waiver or a waiver of or consent to any subsequent or prior breach by the State.

36. Rights and Remedies Cumulative - No right or remedy conferred by this lease upon or reserved to the State or the Lessee is intended to be exclusive of any other right or remedy provided for by this lease or by law, and each and every right and remedy set forth herein shall be cumulative.

37. Authority to Enter Into Lease - The Lessee represents and warrants to the State that (a) it is authorized and empowered under the applicable laws of the State of Alaska and its jurisdiction of formation to enter into and perform this lease in accordance with the lease and its provisions; (b) the Lessee has approved and authorized the execution, delivery and performance of this lease insofar as it pertains to the obligations of the Lessee; (c) all action that may be necessary to the approval, execution, and delivery of this lease by the Lessee, has been taken; and (d) all of the required and necessary approvals, authorizations, and actions are in effect at the time of the execution and delivery of the lease.

38. Delegation of Authority - The Commissioner may make delegations of authority and changes to delegations of authority to administer all or a portion of the provisions of this lease, consistent with AS 38.35.210, at any time. The Commissioner shall notify Lessee in writing of any such delegation of authority or change in delegation of authority.

39. Interpretation of Lease

(a) Any interpretation of this lease must take into account the Parties' intent and understanding that the protection and preservation of the Leasehold's environment are high priorities, and the nature of the environment, including permafrost and seismic areas, will require special consideration and a high degree of care.

(b) The Parties acknowledge that this lease is an "arm's length" agreement, and that each party has had an adequate opportunity to consult with counsel, and has consulted with counsel with respect to this lease. The Parties agree that ambiguities in this lease shall not be construed either for or against any party.

(c) The language of the terms and conditions of no other common carrier pipeline lease may be used to assist in resolving any disputes arising from the interpretation of this lease, unless such language is identical to the language in this lease.

40. Compliance - Lessee shall conduct all Pipeline Activities in compliance with all applicable Federal, State and local laws and regulations.

41. Venue - The venue for any appeal or civil action relating to this lease shall be in the Third Judicial District, State of Alaska.

42. Recording - Upon execution, acknowledgment, and delivery of this lease, the Lessee shall at its sole expense cause this lease to be recorded in the Kenai and Homer Recording Districts, State of Alaska.

43. Severability - A judicial finding that any term or condition of this lease is unlawful or invalid may not operate to invalidate this lease or any other term or condition of the lease.

44. Amendments in Writing - No amendment to this lease is effective until agreed to in writing by the Parties.

45. Exhibits - The following exhibits are attached to this lease and are, by this reference, incorporated into this lease as if they were set out in their entirety:

(a) stipulations for this lease attached hereto as Exhibit A included pursuant to AS 38.35.120(c) and (d);

(b) a description of the land included in the general route of the Right-of-Way attached as Exhibit B;

46. Merger Clause - This lease, including all Exhibits hereto, documents that are required by this lease to be approved by the Commissioner, and the Design Basis and Criteria accepted by the Commissioner, contains the entire agreement between the Parties, and is binding upon the Parties.

47. Section Headings - The section headings in this lease are for convenience only and have no other significance.

48. Definitions - The following words have the following meanings unless the context unavoidably requires otherwise:

(a) As Built means an engineering diagram and survey that depicts the centerline location of the Pipeline and the improvements as constructed.

(b) Best Practicable Technology Available means the best technology commercially available that is proven to be successful for the purpose to which it is proposed to be used and is determined to be economic under the facts of the situation for which it is proposed to be used.

(c) Commissioner means the Commissioner of the Alaska Department of Natural Resources and includes the Commissioner's delegates, when a delegation of power to administer all or a portion of the provisions of this lease is made.

(d) Contractor means any contractor or subcontractor at any tier, and the employees, representatives, and agents of such a contractor.

(e) Effective Date of the lease means the day the lease is executed as set forth on page one of this lease.

(f) Field Representative means an employee, Contractor, agent, or representative of the Lessee, appointed in writing by the Lessee, with notice to the State, to receive notices and orders at any location not part of the Lessee's urban administrative offices, from the Commissioner's authorized representative.

(g) Hazardous Material means any hazardous or toxic substance, material, or Waste that is or becomes regulated by any municipal governmental authority, the State, or the United States government.

(h) Lease Anniversary Date means the same day and month as the date this lease is effective, in each subsequent year that this lease is in effect.

(i) Leasehold means the State Lands subject to this lease as those lands are identified in Exhibit B of this lease and any amendments, modifications and subsequent renewals.

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(j) Lessee means the Anchor Point Energy, LLC, or its successors, and/or assigns holding an undivided ownership interest in the Right-of-Way to the extent issued or authorized by the Commissioner in accordance with the provisions of this Lease.

(k) Natural Gas has the same meaning as given in AS 38.35.230(5).

(l) Pipeline means two approximately 4.0 to 4.5-inch diameter steel/composite common carrier Natural Gas pipelines and all parts of those physical facilities through which Natural Gas is transported.

(m) Pipeline Activities means activities involving and related to construction, operation, maintenance, and termination of the Pipeline System or any part of the Pipeline System.

(n) Pipeline Construction means that period from the date this lease is effective until the date that all requirements imposed by section 29(e) of this lease are approved by the Commissioner.

(o) Pipeline System has the same meaning as "Pipeline Facility" given in AS 38.35.230(7).

(p) Quality Assurance Program means all those documented, planned, and systematic actions necessary to satisfy the commitments and requirements to ensure integrity of the Pipeline System, health, safety, and environment, as identified in Quality Program Manual for the North Fork Pipeline.

(q) Restore means leaving a disturbed site in a condition acceptable to the Commissioner. Restoration includes but is not limited to stabilization, erosion and sedimentation control, visual amelioration, habitat reconstruction, and revegetation.

(r) Revegetate means establishing native plant cover unless non-native plant cover is required as a temporary means to reduce erosion and reestablish conditions suitable for native plants. The priority of native plant cover for reestablishment shall be plant cover from 1) the immediate area; 2) the Kenai Peninsula region; and 3) the State of Alaska. Methods or techniques to accomplish revegetation include but are not limited to surface protection and preparation; seeding, planting, or transplanting; fertilizing; mulching; and watering.

(s) State Lands as defined in AS 38.35.230(9) on May 13, 2010.

(t) State Pipeline Coordinator means that officer operating under written delegation of authority from the Commissioner with the authority and responsibility of administering a portion or all of the provisions of this lease.

(u) Termination Activities means all activities connected with the expiration, forfeiture, relinquishment, abandonment, termination or completion of use of the State Lands subject to this lease, including fulfillment of all obligations incurred under this lease including, but not limited to, those described in section 26 and 27, whichever is applicable.

IN WITNESS WHEREOF, the Parties have executed this lease as of the date first above written.

STATE OF ALASKA

By: _____
Tom Irwin
Commissioner
Department of Natural Resources

Anchor Point Energy, LLC

By: _____
Ed Kerr
Vice President
Land and Business Development
~~Anchor Point Energy, LLC~~
of Armstrong Oil + Gas, Inc., Manager
of Armstrong Cook Inlet, LLC, Manager
of Anchor Point Energy, LLC

EXHIBITS:

Exhibit A: Stipulations
Exhibit B: Right-of-Way Description

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STATE OF ~~ALASKA~~ Colorado)
County of Denver) ss.
~~Third Judicial District~~)

THIS IS TO CERTIFY that on this 24th day of September 2010, before me personally appeared VED KERR, the Vice President for ~~Anchor Point Energy, LLC~~ Armstrong Oil + Gas, Inc. who executed the foregoing on behalf of said corporation, and acknowledged voluntarily signing same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

JESSICA SCHMIDT NOTARY PUBLIC STATE OF COLORADO
My Commission Expires July 24, 2011

Jessica Schmidt
Notary Public in and for the State of ~~Alaska~~ Colorado
My Commission Expires: 7/24/11

STATE OF ALASKA)
) ss
Third Judicial District)

THIS IS TO CERTIFY that on this 28 day of September, 20 10, before me personally appeared Thomas E. Irwin, the Commissioner of the Department of Natural Resources of the State of Alaska, who executed the foregoing on behalf of the Department of Natural Resources of the State of Alaska and acknowledged voluntarily signing the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

MARY KAY RYCKMAN
COMM. #113030
Notary Public - State of Alaska
My Comm. Expires "with office"

Mary Kay Ryckman
Notary Public in and for the State of Alaska
My Commission Expires: with office

EXHIBIT A

NORTH FORK PIPELINE
RIGHT-OF-WAY LEASE

1. General Stipulations

1.1. Definitions

The following definitions apply to terms used in these stipulations. They shall also apply to terms used in documents to which these stipulations are attached unless specifically provided otherwise in such documents.

1.1.1. DESIGN BASIS AND CRITERIA means project criteria (i.e., construction, including design and operational concepts) necessary to delineate the project to be constructed. It includes the following: criteria and commitments contained in the documents submitted to be used for the Final Design and project concepts; evaluation of data used to establish the Design Basis and Criteria; drawings showing functional and technical requirements; reports of test data compiled during the data collection and Design Basis and Criteria evaluation; standard drawings (if applicable) or drawings to support structural design concepts of each typical facility or structure; proposed construction modes; outline of project specifications; sample computations to support the design; and concepts and bases for project siting.

1.1.2. FINAL DESIGN means completed design documents suitable for construction including plans and specifications; construction modes; operational requirements necessary to justify designs; design analysis as required; all appropriate engineering criteria; other considerations pertinent to design; and where appropriate drawings of record.

1.2. Communications

1.2.1. The Lessee shall provide communications and communication systems that ensure the transmission of information to ensure operational integrity, safe operations, and environmentally sound pipeline operations.

1.2.2 The Lessee shall notify the Commissioner of major incidents within 12 hours and issue updates accordingly. The Lessee shall provide a communications and notifications system to accomplish these requirements.

1.3. Construction Plan

1.3.1. The Lessee shall not initiate any Pipeline Activities, unless otherwise authorized by the Commissioner, until a construction plan is reviewed and accepted by the Commissioner. The Lessee shall submit a construction plan that includes, unless otherwise agreed to by the Commissioner, all work schedules; permits, or authorizations required; construction sequencing; maps or plats depicting the boundaries of the construction zone; description of the hydrology, groundwater control; erosion and sediment control; runoff, and stream, river, and floodplain crossings; runoff or other potential impacts to vegetation or fisheries; proposed stockpiles or disposal areas; potential pollutant sources and measures to control them; safety and hazard preventions; cultural resource preservation; sanitation; public awareness and traffic management; housekeeping; and site rehabilitation plans.

1.4. Quality Assurance

1.4.1. The Lessee (including its agents, employees, Contractors, and the employees of each of them) shall comply with the approved Quality Assurance Program during Pipeline Activities. Any amendments to the Quality Assurance Program must be approved by the Commissioner prior to the amendment being implemented.

1.5. Conduct of Operations

1.5.1. The Lessee shall be required to maintain the Pipeline System to the accepted Design Basis and Criteria. Any changes from the Design Basis and Criteria must be accepted by the Commissioner.

1.6. Surveillance and Monitoring

1.6.1. The Lessee shall develop and submit a surveillance and monitoring program to detect and abate situations that endanger health, safety, the environment, or the integrity of the Pipeline. The surveillance and monitoring program shall be approved by the Commissioner prior to Natural Gas being transported through the Pipeline. The Lessee shall implement the surveillance and monitoring program during maintenance, operation, and termination of the Pipeline System. The program shall include, at a minimum, efforts related to the following:

(1) frost heave or thaw settlement resulting in pipeline vertical movement;

(2) valve pads;

(3) corrosion;

(4) restoration and re-vegetation;

(5) fish and wildlife protection;

(6) public access and safety;

(7) river, stream, shoreline, and floodplain crossings;

(8) pigging; and

(9) investigation of the effects of any significant event.

1.7. Health and Safety

1.7.1. The Lessee shall notify the Commissioner of accidents related to the Pipeline System or Pipeline Activities which occur on the Leasehold in the following manner:

(1) accidents that involve the workers shall be reported with the same frequency and detail as Alaska Occupational Safety and Health reporting requirements; and

(2) all accidents involving the public shall be reported immediately.

1.7.2. The Lessee shall develop and implement a human bear interaction plan.

1.8. Survey Monuments

1.8.1. The Lessee shall mark and protect all survey monuments encountered during Pipeline Activities. These monuments are not to be disturbed; however, if disturbance of a monument or any of its accessories becomes necessary, the Lessee will notify the Commissioner in writing before such disturbance occurs, and the Commissioner will provide instructions. A written report to the Commissioner will also be made immediately by the Lessee in the event that any monuments or accessories are inadvertently damaged.

1.8.2. If any public land survey monuments, corners, or accessories (excluding geodetic survey monuments) of the United States or survey monuments of others, are destroyed or damaged during Pipeline Activities, the Lessee shall employ a qualified land surveyor to timely reestablish or restore them in accordance with the *Manual of Surveying Instructions* of the Bureau of Land Management and shall record such survey in the appropriate records. Additional requirements for the protection of monuments and corners on State Lands may be prescribed by the Commissioner.

1.9. Wildfire Prevention and Suppression

1.9.1. The Lessee shall immediately notify the Commissioner of any fires on, or which may threaten any portion of, the Pipeline System and shall take all measures necessary or appropriate for the prevention and suppression of wildfires in accordance with applicable law. The Lessee shall comply with the instructions and directions of the Commissioner concerning the use, prevention, and suppression of wildfires on State Lands. Use of open fires in connection with Pipeline Activities is prohibited on State Land unless approved by the Commissioner and performed in accordance with 18 AAC 50.030.

1.10. Electronically Operated Devices

1.10.1. The Lessee shall screen, filter, or otherwise suppress any electronically operated devices installed as part of the Pipeline System which are capable of producing electromagnetic interference radiations so that such devices will not adversely affect the functioning of the communications systems.

1.11. Regulation of Access

1.11.1. During construction and maintenance, the Lessee may regulate or limit public access in the immediate vicinity of the Pipeline System and Related Facilities in accordance with State of Alaska Department of Transportation and Public Facilities requirements.

1.11.2. Except as provided in paragraph 1.11.1 herein, Pipeline Activities may not interfere with the public's free and unrestricted access to and upon the Leasehold, except that, with the Commissioner's and State of Alaska Department of Transportation and Public Facilities' approvals, the Lessee may regulate or limit access to and upon the Leasehold to the extent necessary to facilitate Pipeline Activities or to protect the pipeline, public and wildlife from hazards associated with Pipeline Activities.

1.12. Storage

1.12.1. The Lessee shall obtain written authorization from the Commissioner before storing any waste or hazardous materials, machinery, equipment, tools, materials, and structures that are not being used, on the Leasehold.

1.13. Reporting

1.13.1. On or before March 1st of every year this lease is in effect following the first Lease Anniversary Date, the Lessee must submit an annual report to the Commissioner on the state of

the Pipeline System and its Pipeline Activities. The report shall address, at a minimum: annual throughput; reliability; any unplanned pipeline shutdowns; a summary of the Surveillance and Monitoring Program; a summary of the safety program(s) and; any additional information requested by the Commissioner.

1.13.2 The Lessee shall immediately notify the Commissioner of any condition, problem, malfunction, or other occurrence which in any way threatens the safety or integrity of the pipeline, or significant harm to the environment.

1.13.3 Documents pertaining to the Leasehold and required by statute or regulation to be filed with a state agency other than the Department of Natural Resources must be filed as so required, with a copy concurrently provided to the Commissioner.

2. Environmental

2.1. Environmental Briefings

2.1.1. The Lessee shall develop an effective plan for implementation of environmental safeguards through an educational program for field personnel prior to and during construction, operation, maintenance and termination of the pipeline. The environmental briefings shall communicate, at a minimum, Right-of-Way lease and environmental permit requirements.

2.2. Erosion and Sedimentation Control

2.2.1. General

2.2.1.1. The Lessee shall perform all Pipeline Activities in a manner to minimize disturbance to all surface areas.

2.2.1.1.1. Construction ice roads, ice ramps, ice work pads, protective work mats or any other method to protect the ground surface must be approved by the Commissioner. Approvals must be obtained during all phases of the lease, including construction, operation, maintenance, and termination of the pipeline system.

2.2.1.1.2. Blading or removal of the vegetative mat is prohibited except as approved by the Commissioner.

2.2.2. Excavated Material

2.2.2.1. Excess excavated material must be disposed of as approved by the Commissioner during operation, maintenance, and termination of the Pipeline System.

2.3. Fish and Wildlife Protection

2.3.1. Prior to commencement of Pipeline Activities, the Lessee shall obtain the locations of known occupied brown bear dens from ADF&G, Division of Wildlife Conservation based on data provided by ADF&G (907) 267-2185. Pipeline Activities, begun between November 15 and March 31, shall not be conducted within one-half mile of an occupied bear den, unless alternate mitigation measures to minimize disturbance are approved by the Commissioner and ADF&G. Occupied bear dens not previously identified by ADF&G that are encountered in the field must be reported to the Division of Wildlife Conservation, ADF&G, within 24 hours (907) 262-9368. Mobile activities shall avoid such bear dens by one-half mile, unless alternate mitigation measures to minimize disturbance are approved by the Commissioner after consultation with ADF&G. Non-mobile facilities shall not be required to be relocated.

2.3.2 The Lessee shall avoid disturbance to fish habitat as identified by the Commissioner in consolation with Alaska Department of Fish and Game. However, where disturbances cannot be avoided, proposed modifications and appropriate mitigation measures must be designed by the Lessee and approved by the Commissioner.

2.3.3 The Pipeline System shall be maintained to avoid significant alteration of large mammal movement patterns. The Commissioner may require additional measures to mitigate impacts to large mammal movement.

2.4. Disturbance or Use of Natural Waters

2.4.1. Pipeline Activities that may create new lakes, drain existing lakes, significantly divert natural drainage and surface runoff, permanently alter stream or ground water hydrology, or disturb significant areas of stream beds are prohibited unless such activities and necessary mitigation measures are approved by the Commissioner.

2.5. Right-of-Way Traffic

2.5.1. Following construction, the Lessee shall obtain the Commissioner's approval to use motorized vehicles within the Right-of-Way; or if there is a need to prevent immediate harm to any person or property.

2.6. Lessee Shall Stabilize, Revegetate and Restore Disturbed Areas

2.6.1. The Lessee shall immediately stabilize all disturbed areas of State Lands as using methods established in the approved construction plan or to the satisfaction of the Commissioner.

2.6.2. The Lessee shall, as soon as practicable, Revegetate all disturbed areas of State Lands to the satisfaction of the Commissioner.

2.6.3. Upon completion of use of all or a portion of the Leasehold, the Lessee shall restore all disturbed State Lands to the satisfaction of the Commissioner.

2.7. Reporting, Prevention, Control, Cleanup, and Disposal of Oil and Hazardous Substances Discharges

2.7.1. The Lessee shall immediately give notice of any spill, leakage, or discharge of Natural Gas or other Hazardous Material in connection with Pipeline Activities within the Leasehold to the Commissioner.

2.7.2. Unless otherwise authorized by the Commissioner, secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or Hazardous Material transfers. Appropriate spill response equipment must be on hand during any transfer or handling of fuel or Hazardous Materials to respond to a spill of up to five gallons. Transfer operations shall be attended by trained personnel at all times. "Secondary containment" means an impermeable diked area or portable impermeable containment structure capable of containing 110 percent of the volume of the largest independent container. Double-walled tanks do not qualify as secondary containment unless an exception is granted for a particular tank. "Surface liner" means any safe, non-permeable container (e.g., drips pans, fold-a-tanks, etc.) designed to catch and hold fluids for the purpose of preventing spills. Surface liners should be of adequate size and volume based on worst-case spill risk.

2.7.3. Vehicle refueling shall not occur within annual floodplain.

2.8. Cultural Resources

2.8.1. The Lessee shall require its employees, agents, Contractors and their employees to comply with the Alaska Historic Preservation Act AS 41.35.200 while conducting Pipeline Activities. Should any sites be discovered during the course of field operations, the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (269-8721) and the appropriate coastal district must be notified immediately and activities that may damage the site must cease.

2.9. Hunting, Fishing, and Trapping

2.9.1. The Lessee shall inform its employees, agents, Contractors and their employees, of applicable laws and regulations relating to hunting, fishing and trapping.

3 Technical

3.1 General

3.1.1 All work described by this section shall be performed in accordance with the Design Basis and Criteria and applicable local, state or federal regulations, in particular with 49 CFR 192.

3.2 Design and Engineering

3.2.1 All design, engineering and other technical work must be in accordance with sound engineering practice.

3.3 Technical Record Keeping

3.3.1 All drawings and primary technical documents shall be kept up-to-date. Changes to the Pipeline System will be documented by final drawings of record, with engineering seals in accordance with State statutes, regulations and administrative codes. In addition, records related to safety, fire protection, and environmental protection on the lease shall be maintained and kept up-to-date.

3.4 Design Basis and Criteria

3.4.1 The Design Basis and Criteria is considered a supporting document to the Lease. Changes to the Design Basis and Criteria shall not, in general, require a Lease amendment. Modifications shall be submitted to the State Pipeline Coordinator's Office, and accepted by the Commissioner, prior to being implemented.

3.5 Authorization for Technical Changes

3.5.1 The Commissioner may issue an authorization with respect to construction of the pipeline system on State lands. No authorization on lands subject to the State Right-of-Way lease will be effective unless signed by the Commissioner.

4.1 Local, State, and Federal Laws

4.1.1 No requirement imposed by these Stipulations shall replace or lessen the applicability of any local, state, or federal law, regulation, permit, or authorization as that law, regulation, permit, or authorization applies or will apply to the construction, operation, maintenance, or termination of the Pipeline.

EXHIBIT B
NORTH FORK PIPELINE

CONSTRUCTION LEGAL DESCRIPTION

During construction, the total area of State Lands for the North Fork Pipeline Right-of-Way Lease consists of 23.06 acres, more or less. The construction right-of-way is described below in Areas which describe the width and length of the right-of-way, the legal description, and the approximate acreage within each Area. All distances and acreages are approximations based on the Applicant's description of the proposed right-of-way.

Area 1: Sections 31-33, Township 4 South, Range 14 West, Seward Meridian
Area 1 consists of an approximately 50-foot wide by 17,530 foot-long right-of-way. The Area extends from the southeast corner of the NE4NE4 Section 33, Township 4 South, Range 14 West, Seward Meridian (intersection of Gold Avenue and Atlantic Road), extending in a southwesterly direction to the southwest corner of the SE4 Section 32, Township 4 South, Range 14 West, Seward Meridian, then extending westerly, centered 30 feet north of and along the south section lines of Sections 31 and 32, and ending at the southwest corner of Section 31, Township 4 South, Range 14 West, Seward Meridian.

Area 1 contains 20.12 acres, more or less.

Area 2: Sections 1-2, Township 5 South, Range 15 West, Seward Meridian
Area 2 consists of an approximately 10-foot wide by 2,025 foot-long right-of-way. The Area extends from the southwest corner of Section 31, Township 4 South, Range 14 West, Seward Meridian, extending in a westerly direction along the north section lines of Sections 1 and 2, and ending at the northwest corner of the NE4NE4 Section 2, Township 5 South, Range 15 West, Seward Meridian.

Area 2 contains 0.46 acres, more or less.

Area 3: Section 2, Township 5 South, Range 15 West, Seward Meridian
Area 3 consists of an approximately 10-foot wide by 1,320 foot-long right-of-way. The Area extends from the northeast corner of the NW4 Section 2, Township 5 South, Range 15 West, Seward Meridian, extending in a westerly direction along the north section line of Section 2, and ending at the northwest corner of the NE4NW4 Section 2, Township 5 South, Range 15 West, Seward Meridian.

Area 3 contains 0.30 acres, more or less.

Area 4: Section 35, Township 4 South, Range 15 West, Seward Meridian and Section 3, Township 5 South, Range 15 West, Seward Meridian

Area 4 consists of an approximately 50-foot wide by 772.6 foot-long right-of-way. The Area extends southwesterly within the Alaska Department of Transportation and Public Facilities (ADOT&PF) right-of-way, North Fork Road, extending from the intersection of North Fork Road and Colman Lantern Avenue, and ending at the intersection of North Fork Road and Spruceridge Loop (east intersection).

Area 4 contains 0.89 acres, more or less.

Area 5: Section 3, Township 5 South, Range 15 West, Seward Meridian

Area 5 consists of an approximately 50-foot wide by 60 foot-long right-of-way. The Area extends northwesterly within the Spruceridge Loop right-of-way, extending from the ordinary high water mark of the south bank of the North Fork River, and ending at the ordinary high water mark on the north bank of the river.

Area 5 contains 0.07 acres, more or less.

Area 6: Section 3, Township 5 South, Range 15 West, Seward Meridian and Sections 34-35, Township 4 South, Range 15 West, Seward Meridian

Area 6 consists of an approximately 50-foot wide by 1,066 foot-long right-of-way. The Area extends northwesterly within the ADOT&PF right-of-way, North Fork Road, extending from the intersection of North Fork Road and Spruceridge Loop (west intersection) to the north edge of the North Fork Road, and then extending westerly along the north edge of North Fork Road, and ending at Mile Post 0.3 of North Fork Road.

Area 6 contains 1.22 acres, more or less.

EXHIBIT B
NORTH FORK PIPELINE

OPERATIONS LEGAL DESCRIPTION

During operations, the total area of State Lands for the North Fork Gas Right-of-Way Lease consists of 8.92 acres, more or less. The operations right-of-way is described below in Areas, which describe the width and length of the right-of-way, the legal description, and the approximate acreage within each Area. All distances and acreages are approximations based on the Applicant's description of the proposed right-of-way.

Area 1: Sections 31-33, Township 4 South, Range 14 West, Seward Meridian
Area 1 consists of an approximately 20-foot wide by 17,530 foot-long right-of-way. The Area extends from the southeast corner of the NE4NE4 Section 33, Township 4 South, Range 14 West, Seward Meridian (intersection of Gold Avenue and Atlantic Road), extending in a southwesterly direction to the southwest corner of the SE4 Section 32, Township 4 South, Range 14 West, Seward Meridian, then extending westerly, centered 30 feet north of and along the south section lines of Sections 31 and 32, and ending at the southwest corner of Section 31, Township 4 South, Range 14 West, Seward Meridian.

Area 1 contains 8.05 acres, more or less.

Area 2: Sections 1-2, Township 5 South, Range 15 West, Seward Meridian
The operations right-of-way within Area 2 lies outside of State Lands.

Area 2 contains 0.00 (zero) acres.

Area 3: Section 2, Township 5 South, Range 15 West, Seward Meridian
The operations right-of-way within Area 2 lies outside of State Lands.

Area 2 contains 0.00 (zero) acres.

Area 4: Section 35, Township 4 South, Range 15 West, Seward Meridian and Section 3, Township 5 South, Range 15 West, Seward Meridian
Area 4 consists of an approximately 20-foot wide by 772.6 foot-long right-of-way. The Area extends southwesterly within the Alaska Department of Transportation and Public Facilities (ADOT&PF) right-of-way, North Fork Road, extending from the intersection of North Fork Road and Colman Lantern Avenue, and ending at the intersection of North Fork Road and Spruceridge Loop (east intersection).

Area 4 contains 0.35 acres, more or less.

Area 5: Section 3, Township 5 South, Range 15 West, Seward Meridian

Area 5 consists of an approximately 20-foot wide by 60 foot-long right-of-way. The Area extends northwesterly within the Spruceridge Loop right-of-way, extending from the ordinary high water mark of the south bank of the North Fork River, and ending at the ordinary high water mark on the north bank of the river.

Area 5 contains 0.03 acres, more or less.

Area 6: Section 3, Township 5 South, Range 15 West, Seward Meridian and Sections 34-35, Township 4 South, Range 15 West, Seward Meridian

Area 6 consists of an approximately 20-foot wide by 1,066 foot-long right-of-way. The Area extends northwesterly within the ADOT&PF right-of-way, North Fork Road, extending from the intersection of North Fork Road and Spruceridge Loop (west intersection) to the north edge of the North Fork Road, and then extending westerly along the north edge of North Fork Road, and ending at Mile Post 0.3 of North Fork Road.

Area 6 contains 0.49 acres, more or less.